



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: September 8, 2011

Agenda Item No. 3: Approval of Revised Financial Assurance Cost Estimate, Sperbeck Quarry (CA Mine ID# 91-58-0004), Carl J. Woods Construction Company, Inc. (Operator), William A. Woods (Agent), Yuba County.

INTRODUCTION: The State Mining and Geology Board (SMGB) acts as the lead agency for the County of Yuba, pursuant to the Surface Mining and Reclamation Act of 1975 (SMARA, Public Resources Code (PRC) Section 2710, et seq.). SMARA requires that each surface mining operation maintain a financial assurance in an amount adequate to reclaim, in accordance with the requirements of an approved reclamation plan, the land disturbed by the mining operation at the conclusion of mining activities. SMARA lead agencies are required to annually review the financial assurance amounts for each surface mining operation, and adjust the amount, as necessary, to account for new land disturbed, inflation, or land reclaimed. In any event, the lead agency must ensure that the approved amount is adequate to reclaim the mine site in accordance with the approved reclamation plan (PRC Sections 2770 and 2773.1, and California Code of Regulations (CCR) Section 3804).

STATUTORY AND REGULATORY AUTHORITY: Financial assurance cost estimate adjustment requirements are discussed under SMARA, and within the SMGB's regulations and guidelines. Lead agencies are required to assure that financial assurances for reclamation are sufficient pursuant to Division 2, Chapter 9, Article 5 of PRC Section 2770(d) which states:

"The lead agency's review of reclamation plans submitted pursuant to subdivision (b) or of financial assurances pursuant to subdivision (c) is limited to whether the plan or the financial assurances substantially meet the applicable requirements of Sections 2772, 2773, and 2773.1, and the lead agency surface mining ordinance adopted pursuant to subdivision (a) of Section 2774, but, in any event, the lead agency shall require that financial assurances for reclamation be sufficient to perform reclamation of lands remaining disturbed. Reclamation plans or financial assurances determined to substantially meet these requirements shall be approved by the lead agency for purposes of this chapter. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. The operator has 60 days to revise the plan or financial assurances to address identified deficiencies, at which time the revised plan or financial assurances shall be returned to the lead agency for review and approval."



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In addition, PRC Section 2773.1(a) states:

*“...Lead agencies shall require financial assurances of each surface mining operation to ensure reclamation is performed in accordance with the surface mining operation's approved reclamation plan, as follows:
(3) The amount of financial assurances required of a surface mining operation for any one year shall be adjusted annually to account for new lands disturbed by surface mining operations, inflation, and reclamation of lands accomplished in accordance with the approved reclamation plan.”*

Furthermore, the SMGB's regulations pursuant to Article 11 of the CCR Section 3804, Calculation of Financial Assurance Amount, states:

“(a) The Financial Assurance Amount shall be calculated as prescribed in Public Resources Code Section 2773.1 and based on:

- (1) an analysis of the physical activities and materials necessary to implement the approved reclamation plan;*
- (2) the lead agency's unit costs, or costs for third party contracting, for each of these activities, if applicable;*
- (3) the number of units of each of these activities, if applicable;*
- (4) a contingency amount not to exceed 10% of the reclamation costs.*

(b) The calculated amount should not include the cost of completing mining of the site.

(c) In order for the lead agency or the Department of Conservation to determine what annual adjustments, if any, are appropriate to the Financial Assurance Amount, the operator shall annually submit to the lead agency a revision of the written calculation required under Section 3804(a).”

BACKGROUND: The Sperbeck Quarry is an active rock quarry situated on the southeast side of Spring Valley Road, north of Highway 20. The subject property encompasses about 63 acres, of which approximately 28 acres are addressed in the Reclamation Plan. The site is characterized as rocky upland and pastureland with gently rolling hills, and is accessed via Spring Valley Road.

The operation includes a scale house and access/haul road, equipment maintenance and staging area, boneyard area, above ground fuel tanks, product stockpile areas, topsoil stockpiles, and main quarry area. The main quarry area is situated in the northern portion of the site, and the access/haul roads, equipment staging areas, product stockpiles and boneyard are situated in the southern portion of the site. Mining has been occurring at the site since 1961. Site elevations range from about 217 to 400 feet above mean sea level (MSL). Within the active quarry area, the quarry floor ranges in elevation from about 217 to 224 feet above MSL. The site is underlain by fine grained, dark gray, dense, massive to highly fractured metavolcanic rock (meta-andesite and greenstone) of Jurassic age. Rock extracted from the site is processed for road base (<1½”), stone fill (1½ to 5”), and coarse



rip rap (<24"). Soil and small-sized rock created during crushing and separation is stockpiled for future reclamation purposes, with a small portion being sold as product when requested.

An inspection of the surfacing mining operation was performed on December 10, 2010. No violations were noted by the inspector at such time. One corrective measure was noted as it had been over one year since the financial assurance cost estimate for the Sperbeck Quarry had been updated, and the inspector recommended that a revised financial assurance cost estimate be prepared and submitted to the SMGB for review and approval per CCR Section 3804(c). At time of inspection, approximately 28.3 acres of the Sperbeck Quarry site were deemed disturbed. The existing financial assurance on file for the site is in the amount of \$101,972.00. The site remains subject to a financial assurance, and based on our recent analysis and review of site conditions and submitted documents, SMGB staff considers the revised financial assurance cost estimate in the amount of \$99,398.00 to be adequate to conduct and complete reclamation of the mined lands in accordance with the approved reclamation plan. The following table summarizes the recently adjusted financial assurance cost estimate:

FINANCIAL ASSURANCE COST ESTIMATE (FACE) ADJUSTMENT:

I.	Primary Reclamation Activities	\$	19,287
II.	Revegetation	\$	35,375
III.	Plant Structure and Equipment Removal	\$	5,500
IV.	Miscellaneous Costs	\$	3,570
V.	Monitoring	\$	2,500
	Total Direct Cost	\$	66,232
VI.	Supervision/Profit & Overhead/Contingencies/Mobilization		
a.	Supervision (6.0%)	\$	3,974
b.	Profit/Overhead (12.5%)	\$	8,279
c.	Contingencies (10.0%)	\$	6,623
d.	Mobilization (2.0%)	\$	1,325
	Total Indirect Cost	\$	20,201
	Total of Direct and Indirect Costs	\$	86,433
	Lead Agency administrative cost (15%)	\$	12,965
	Total Estimated Cost for Reclamation	\$	99,398



CONSIDERATION BEFORE THE SMGB: The SMGB may consider the following actions:

1. Approve as adequate the adjusted financial assurance cost estimate, without additions;

[or]

2. Modify the adjusted financial assurance cost estimate, and then accept it as adequate;

[or]

3. Reject the adjusted financial assurance cost estimate as inadequate and order it to be redone.

EXECUTIVE OFFICER'S RECOMMENDATION: The Executive Officer recommends that the SMGB approve the adjusted financial assurance cost estimate for the Sperbeck Quarry. The adjusted financial assurance cost estimate has been reviewed by OMR and SMGB staff for its consistency and completeness in meeting the minimum requirements of SMARA, and the SMGB's regulations and guidelines. Based on an annual inspection conducted in 2010, and on documents more recently submitted and reviewed, the subject revised financial assurance cost estimate amount for the Sperbeck Quarry is deemed to be adequate.

SUGGESTED MOTION LANGUAGE:

To approve the Adjusted Financial Assurance Cost Estimate:

Mr. Chairman, in light of the information before the State Mining and Geology Board today, I move that the Board approve the adjusted financial assurance cost estimate of \$99,398.00 for the Sperbeck Quarry surface mining operation, CA Mine ID #91-58-0004, located in the County of Yuba, as adequate to reclaim the site in accordance with the approved reclamation plan, and adequate in meeting the minimum requirements of SMARA and the Board's regulations.

Respectfully submitted:

Stephen M. Testa
Executive Officer

Exhibit A: April 14, 2011 Financial Assurance Cost Estimate

Exhibit B: 2010 SMARA Annual Inspection Report

